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USTR FOR JASON BUNTIN  
USDOC FOR TYLER HOFFMAN

E.O. 12958: N/A  
TAGS: [ETRD](#) [EINV](#) [KIPR](#) [SA](#)  
SUBJECT: SAUDI PHARMA ISSUES: MEETING WITH DEP. MINISTER OF  
HEALTH

REF: RIYADH 2139

¶1. (SBU) In a meeting on October 27 with the Foreign Commercial Service Counselor and the Economic Counselor, Dr. Mansour N. Al Howasi, Deputy Minister of Health for Executive Affairs, stated that he will meet with local distributors of pharmaceuticals to present and discuss the Ministry of Health's (MOH) proposed pricing scheme on October 28 (reftel). The pricing scheme will not be implemented for about three months, allowing time for consultation with local distributors. Emboffs repeatedly encouraged Al Howasi to directly engage with representatives of multinational pharmaceutical companies, but after numerous deflections he eventually stated flatly that he will not meet with them. He explained that according to Saudi law those companies are represented in the Kingdom by their local distributors and that the MOH will deal exclusively with them.

¶2. (SBU) Al Howasi shared that the new pricing scheme will not impact pharmaceuticals still enjoying patent protection in Saudi Arabia. This is a positive development from industry's perspective as its representatives only expect products patented in the last five years to be excepted from the new pricing scheme. Al Howasi further stated that pharmaceuticals which in his view are "sensitive" and difficult to manufacture will also be excepted from the pricing scheme despite having lost patent protection. He used insulin as an example of this category of pharmaceuticals.

¶3. (SBU) Al Howasi repeatedly and at great length explained his perspective on the MOH's price setting. In his view setting pharmaceutical prices is not just Saudi Arabia's sovereign right but a responsibility to its citizens. He emphasized that the SAG is not capriciously slashing prices, but rather carefully studied and considered a revised pricing scheme. He explained that many developed countries' governments set pharmaceutical prices and mentioned that former President Clinton proposed to lower pharmaceutical prices in the United States by 30%. Al Howasi further pointed out that many countries in the region enjoy lower prices for medicines, and that many nations do not protect the intellectual property rights of pharmaceutical patent holders to the extent that Saudi Arabia does. He believes that multinational pharmaceutical companies should appreciate the protection and prices they enjoy in the Kingdom, as he believes the alternative of instituting a free market system would be to the companies' disadvantage.

¶4. (SBU) While the MOH is the SAG entity that issued a license to a local manufacturer to produce generic Lipitor, Al Howasi's initial response to Emboffs raising this issue was that responsibility was with the King Abdulaziz City for

Science & Technology (KACST). However, after Emboffs shared that KACST agreed that a generic license should not be issued while a pharmaceutical's patent denial is being appealed and that Pfizer is appealing the denial of its patent application, Al Howasi promised to review the matter.

¶5. (SBU) Emboffs delivered to Al Howasi a copy of a letter regarding pharmaceutical pricing and the MOH's issuance of a license to produce generic Lipitor from Christopher A. Padilla, acting U/S for International Trade at USDOC, to the Saudi Minister of Commerce and Industry (the Minister of Health was courtesy copied on the letter). Al Howasi said that he would ensure that the Minister of Health received the letter.  
FRAKER